

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 CIAE-00 DODE-00 PM-04 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02
OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 /084 W
-----261457Z 052056 /43

P R 261305Z JAN 77
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC PRIORITY 9794
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

LIMITED OFFICIAL USE SECTION 1 OF 2 BRASILIA 0701

E.O. 11652: N/A
TAGS: EFIN, BR
SUBJECT: GOB ANNOUNCES ECONOMIC STRATEGY FOR 1977

1. SUMMARY: THE ECONOMIC DEVELOPMENT COUNCIL HAS APPROVED THE GOB'S ECONOMIC STRATEGY FOR 1977. THE MUCH-AWAITED POLICY STATEMENT IS ESSENTIALLY A REITERATION OF PAST OFFICIAL PRONOUNCEMENTS. IT RE-STRESSED THE TWO MAJOR POLICY OBJECTIVES OF THE GOB: REDUCING INTERNAL INFLATION AND NARROWING THE FOREIGN TRADE GAP. THE DOCUMENT MAKES A GALLANT EFFORT IN DEFENSE OF GOVERNMENT ECONOMIC POLICIES SINCE THE ONSET OF THE OIL CRISIS. IT PROJECTS OPTIMISM FOR THE NEXT TWO YEARS, MAINTAINING THAT BRAZIL CONFRONTS THE IMMEDIATE FUTURE FROM A POSITION OF STRENGTH, I.E., WITH A HIGH LEVEL OF OFFICIAL RESERVES, THE POTENTIAL FOR EXPORT GROWTH, INCREASING INFLOW OF FOREIGN CAPITAL, AN EFFECTIVE IMPORT SUBSTITUTION PROGRAM AND A BALANCED FEDERAL BUDGET. THE DOCUMENT MAKES

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NO EFFORT AT A CRITICAL ANALYSIS OF CURRENT ECONOMIC PROBLEMS. END SUMMARY.

2. IN A POLICY STATEMENT ENTITLED "GUIDELINES AND PRIORITIES FOR 1977", THE ECONOMIC DEVELOPMENT COUNCIL APPROVED, ON JANUARY 25, THE GOB'S ECONOMIC STRATEGY FOR 1977. IN ADDITION TO

REVIEWING DEVELOPMENTS FOR 1976, AND SETTING FORTH THE STRATEGY FOR 1977, A GOOD PORTION OF THE DOCUMENT IS DEVOTED TO A JUSTIFICATION OF GOVERNMENT ECONOMIC POLICIES OF THE LAST THREE YEARS. IT ARGUES THAT THESE POLICIES HAVE REFLECTED (A) THE CONTINUATION OF THE GRADUALISTIC APPROACH, (B) THE GENERAL FLEXIBILITY AND ADAPTABILITY OF BRAZILIAN ECONOMIC POLICIES, AND (C) THE DECISION OF THE BRAZILIAN GOVERNMENT TO CHART A COURSE WHICH WAS DIFFERENT FROM THE RECESSIONARY POLICIES OF THE INDUSTRIAL COUNTRIES IN RESPONSE TO THE OIL CRISIS. THE DOCUMENT POINTS OUT THAT SINCE 1974 BRAZIL'S GDP HAS GROWN BY 25 PERCENT AND INDUSTRIAL PRODUCT BY 26, WHILE THE REST OF THE WORLD WAS IN RECESSION. BECAUSE OF THESE POLICIES, THE BASIC DYNAMISM OF THE ECONOMY, THE HIGH LEVEL OF OFFICIAL RESERVES, THE POTENTIAL FOR EXPORT EXPANSION, THE SUCCESS OF THE IMPORT SUBSTITUTION PROGRAM, AND A BALANCED FEDERAL BUDGET, BRAZIL, THE DOCUMENT CONCLUDES, FACES 1977 AND 1978 FROM A POSITION OF STRENGTH. IT SEES 1977 AS A "GOOD YEAR."

3. HAVING SET THIS POSITIVE AND OPTIMISTIC FRAMEWORK, THE DOCUMENT LISTS THE FOLLOWING PRIORITIES FOR 1977:

A. THE HIGHEST PRIORITY TO EXPORT EXPANSION.
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IT FORECASTS EXPORTS IN 1977 AT BETWEEN \$11.2 BILLION AND \$11.5 BILLION. IN SUPPORT OF THIS OBJECTIVE, CR\$35 BILLION WILL BE MADE AVAILABLE FOR EXPORT FINANCING.

B. THE NEED TO CONTINUE, TEMPORARILY, CONTAINING IMPORTS, PARTICULARLY THROUGH THE REDUCTION OF GASOLINE CONSUMPTION. THE DOCUMENT INDICATES THAT A 10 PERCENT REDUCTION IN GASOLINE CONSUMPTION IS EXPECTED FROM THE RECENTLY-ADOPTED 2-CRUZEIRO DEPOSIT PER LITER OF GASOLINE. IT FURTHER STATES THAT THE ADDED COST WILL BE BORNE PRIMARILY BY AUTOMOBILE OWNERS (WHICH THE DOCUMENT ESTIMATES AMOUNT TO

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INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02
OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 /084 W
-----262119Z 056173 /62

P R 261305Z JAN 77
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC PRIORITY 9795
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

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C O R R E C T E D C O P Y PARA 3G

15 PERCENT OF TOTAL BRAZILIAN FAMILIES).

C. ACCEPTANCE OF A LOWER RATE OF GROWTH
OF GDP, NOT AS AN OBJECTIVE, BUT AS A CONDITION
PRECEDENT TOWARD REDUCING THE RATE OF INFLATION
AND NARROWING THE TRADE DEFICIT.

D. THE MAINTENANCE OF A NEO-CAPITALIST
ECONOMIC PHILOSOPHY.

E. TO ASSIST IN DIFFERENT WAYS THE IMPROVEMENT
IN THE CAPITAL STRUCTURE OF PRIVATE FIRMS.

F. TO KEEP THE FEDERAL BUDGET OUT OF THE RED.

G. TO LIMIT THE PRICE ADJUSTMENT OF PUBLIC
SERVICES TO 25 PERCENT, WITH THE EXCEPTION OF
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RATES CHARGED BY THE RAILWAYS AND POSTAL SYSTEMS.

4. IN ADDITION, THE DOCUMENT INCLUDES 1976 RESULTS,
WHICH HAD NOT BEEN PREVIOUSLY PUBLISHED, FOR A

NUMBER OF ECONOMIC INDICATORS:

A. ON THE BALANCE OF PAYMENTS: TOTAL EXPORTS, \$10.1 BILLION (UP 17 PERCENT FROM 1975); TOTAL IMPORTS \$12.3 BILLION (0.8 PERCENT ABOVE 1975). TRADE DEFICIT \$2.2 BILLION. DIRECT INVESTMENT \$1.0 BILLION. FINANCIAL CREDITS \$6.0 BILLION.

B. ON MONEY AND CREDIT: MONEY SUPPLY EXPANSION, 36.4 PERCENT; CREDIT EXPANSION BY THE BANKING SYSTEM TO THE PRIVATE SECTOR, 55.8 PERCENT.

C. PUBLIC SECTOR: FEDERAL GOVERNMENT BUDGET, SURPLUS OF CR\$429 MILLION.

D. INVESTMENT LEVELS OF PUBLIC ENTERPRISES:

1976 INCREASE
(CR\$MILLIONS) OVER 1975 (PERCENT)

I. PETROLEUM, BASIC
INPUTS AND EXPORT
PROJECTS:

PETROBRAS (INCL. SUBSIDIARIES)	13,600	29.6
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STEEL (THREE NATIONAL STEEL COMPANIES)	9,840	37.2
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CVRD (IRON ORE)	4,800	128.6
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II. INFRA-STRUCTURE

ELETROBRAS	33,600	61.5
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TELEBRAS	15,840	32.5
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POST & TELECOM.	330	26.9
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RAILWAYS	10,640	53.7
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DNER (ROAD BUILDING)	10,975	39.5
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PORTOBRAS	3,290	56.2
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SUNAMAM 3,500 15.3

5. COMMENT: THE POLICY STATEMENT IS ESSENTIALLY
A REHASH OF PAST OFFICIAL PRONOUNCEMENTS AND A
REITERATION OF OBJECTIVES OUTLINED IN THE SECOND
DEVELOPMENT PLAN. IT MAKES NO ATTEMPT AT A
CRITICAL ASSESSMENT OF CURRENT ECONOMIC PROBLEMS
FACING BRAZIL. THE DOCUMENT GOES AT SOME
LENGTH, IN FACT, IN TRYING TO JUSTIFY PAST
ACTIONS WHEREAS EVEN A BIASED OBSERVER WOULD
HAVE TO ADMIT THAT MANY OF THE CURRENT
DIFFICULTIES ARE THE RESULT OF PAST POLICY
ERRORS.
CRIMMINS

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Message Attributes

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Concepts: ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 26-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
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Disposition Reason:
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Executive Order: N/A
Errors: N/A
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Film Number: D770028-0592
Format: TEL
From: BRASILIA
Handling Restrictions: n/a
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Legacy Key: link1977/newtext/t19770118/aaaaapgv.tel
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